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## YGM TRADING LIMITED

(incorporated in Hong Kong with limited liability)  
(Stock Code: 00375)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The Board of Directors (the “Board”) of YGM Trading Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2017 together with comparative figures for the corresponding year and selected explanatory notes as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Hong Kong dollars unless otherwise indicated)

|  | Note | 2017<br>\$'000         | 2016<br>\$'000         |
|--|------|------------------------|------------------------|
| <b>Revenue</b>   | 3, 4 | <b>760,510</b>         | 894,240                |
| Cost of sales  |      | <u>(327,298)</u>       | <u>(369,636)</u>       |
| <b>Gross profit</b>                                    |      | <b>433,212</b>         | 524,604                |
| Other (loss)/income                                    |      | (11,566)               | 1,419                  |
| Distribution costs                                     |      | (402,767)              | (505,045)              |
| Administrative expenses                                |      | (118,735)              | (131,395)              |
| Other operating expenses                               |      | <u>(4,669)</u>         | <u>(2,554)</u>         |
| <b>Loss from operations</b>                            |      | <b>(104,525)</b>       | (112,971)              |
| Net valuation gains on investment properties           |      | 7,400                  | 5,185                  |
| Net gain on disposal of subsidiaries                   | 5(c) | -                      | 29,845                 |
| Expenses for proposed separate listing of a subsidiary | 5(d) | -                      | (9,200)                |
| Finance costs  | 5(a) | <u>(515)</u>           | <u>(459)</u>           |
| <b>Loss before taxation</b>                            | 5    | <b>(97,640)</b>        | (87,600)               |
| Income tax   | 6    | <u>(2,222)</u>         | <u>(3,389)</u>         |
| <b>Loss for the year</b>                               |      | <b><u>(99,862)</u></b> | <b><u>(90,989)</u></b> |
| <b>Attributable to:</b>                                |      |                        |                        |
| Equity shareholders of the Company                     |      | (97,335)               | (87,871)               |
| Non-controlling interests                              |      | <u>(2,527)</u>         | <u>(3,118)</u>         |
| <b>Loss for the year</b>                               |      | <b><u>(99,862)</u></b> | <b><u>(90,989)</u></b> |
| <b>Loss per share</b>                                  |      |                        |                        |
| - Basic  | 8    | <u>\$ (0.59)</u>       | <u>\$ (0.53)</u>       |
| - Diluted  |      | <u>N/A</u>             | <u>N/A</u>             |

Details of dividends payable to equity shareholders of the Company are set out in note 7.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars unless otherwise indicated)

|  | 2017<br>\$'000          | 2016<br>\$'000          |
|--|-------------------------|-------------------------|
| <b>Loss for the year</b>   | <u>(99,862)</u>         | <u>(90,989)</u>         |
| <b>Other comprehensive income for the year<br/>(after tax and reclassification adjustments)</b>        |                         |                         |
| Items that may be reclassified subsequently to profit or loss:   |                         |                         |
| Exchange differences on translation of financial<br>statements of subsidiaries based outside Hong Kong | <u>(21,516)</u>         | <u>(20,979)</u>         |
| <b>Other comprehensive income for the year</b>   | <u>(21,516)</u>         | <u>(20,979)</u>         |
| <b>Total comprehensive income for the year</b>   | <u><u>(121,378)</u></u> | <u><u>(111,968)</u></u> |
| <b>Attributable to:</b>  |                         |                         |
| Equity shareholders of the Company   | (119,409)               | (108,667)               |
| Non-controlling interests  | <u>(1,969)</u>          | <u>(3,301)</u>          |
| <b>Total comprehensive income for the year</b>   | <u><u>(121,378)</u></u> | <u><u>(111,968)</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars unless otherwise indicated)

|  | Note | 2017<br>\$'000   | 2016<br>\$'000   |
|--|------|------------------|------------------|
| <b>Non-current assets</b>  |      |                  |                  |
| Investment properties  |      | 180,655          | 251,650          |
| Other property, plant and equipment                                    |      | 112,236          | 158,429          |
|  |      | <u>292,891</u>   | <u>410,079</u>   |
| Intangible assets  |      | 102,050          | 447,882          |
| Lease premium  |      | 6,225            | 6,913            |
| Other financial assets   |      | -                | 134              |
| Rental deposits and prepayments  |      | 15,762           | 41,996           |
| Deferred tax assets  |      | 35,081           | 58,155           |
|  |      | <u>452,009</u>   | <u>965,159</u>   |
| <b>Current assets</b>  |      |                  |                  |
| Trading securities   |      | 195              | 2,546            |
| Inventories  |      | 75,894           | 262,757          |
| Trade and other receivables  | 9    | 40,866           | 116,224          |
| Current tax recoverable  |      | 1,259            | 3,508            |
| Cash and cash equivalents  |      | 150,504          | 102,404          |
| Assets of a disposal group classified as held for sale                 | 11   | 605,515          | -                |
|  |      | <u>874,233</u>   | <u>487,439</u>   |
| <b>Current liabilities</b>   |      |                  |                  |
| Trade and other payables   | 10   | 112,585          | 129,087          |
| Bank loans and overdrafts  |      | 6,627            | 27,025           |
| Current tax payable  |      | 1,035            | 3,794            |
| Liabilities of a disposal group classified as held for sale            | 11   | 43,121           | -                |
|  |      | <u>163,368</u>   | <u>159,906</u>   |
| <b>Net current assets</b>  |      | <u>710,865</u>   | <u>327,533</u>   |
| <b>Total assets less current liabilities</b>                           |      | <u>1,162,874</u> | <u>1,292,692</u> |
| <b>Non-current liability</b>   |      |                  |                  |
| Deferred tax liabilities   |      | 2,011            | 4,911            |
| <b>NET ASSETS</b>  |      | <u>1,160,863</u> | <u>1,287,781</u> |
| <b>CAPITAL AND RESERVES</b>  |      |                  |                  |
| Share capital  |      | 383,909          | 383,909          |
| Reserves   |      | 749,095          | 876,797          |
| <b>Total equity attributable to equity shareholders of the Company</b> |      | <u>1,133,004</u> | <u>1,260,706</u> |
| <b>Non-controlling interests</b>                                       |      | <u>27,859</u>    | <u>27,075</u>    |
| <b>TOTAL EQUITY</b>  |      | <u>1,160,863</u> | <u>1,287,781</u> |

**NOTES:**

*(Expressed in Hong Kong dollars unless otherwise indicated)*

**1. Basis of preparation of the financial statements**

The unaudited financial information relating to the year ended 31 March 2017 and the financial information relating to the year ended 31 March 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2016, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2017 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the statutory financial statements of the Company for the year ended 31 March 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Company's statutory annual financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The measurement basis used in the preparation of the statutory annual financial statements is the historical cost basis except that investment properties and trading securities are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

**2. Changes in accounting policies**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**3. Revenue**

The principal activities of the Group are garment manufacturing, wholesaling and retailing, trademark ownership and licensing, property investment and provision of security printing, general business printing and trading of printing products.

The amount of each significant category of revenue is as follows:

|   | 2017           | 2016           |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| Sales of garments                         | 643,482        | 775,939        |
| Royalty and related income                | 73,407         | 74,417         |
| Income from printing and related services | 35,740         | 37,317         |
| Gross rentals from investment properties  | 7,881          | 6,567          |
|   | <u>760,510</u> | <u>894,240</u> |

The Group's customer base is diversified and no individual customer with whom transactions have exceeded 10% of the Group's revenue.

#### 4. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sales of garments: the manufacture, wholesale and retail of garments.
- Licensing of trademarks: the management and licensing of trademarks for royalty income.
- Printing and related services: the manufacture and sale of printed products.
- Property rental: the leasing of properties to generate rental income.

##### (a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2017 and 2016 is set out below:

|   | Sales of garments |                 | Licensing of trademarks |                | Printing and related services |               | Property rental |                | Total            |                  |
|---|-------------------|-----------------|-------------------------|----------------|-------------------------------|---------------|-----------------|----------------|------------------|------------------|
|   | 2017              | 2016            | 2017                    | 2016           | 2017                          | 2016          | 2017            | 2016           | 2017             | 2016             |
|   | \$'000            | \$'000          | \$'000                  | \$'000         | \$'000                        | \$'000        | \$'000          | \$'000         | \$'000           | \$'000           |
| Revenue from external customers                           | 643,482           | 775,939         | 73,407                  | 74,417         | 35,740                        | 37,317        | 7,881           | 6,567          | 760,510          | 894,240          |
| Inter-segment revenue                                     | -                 | -               | 16,035                  | 15,877         | 371                           | 297           | 9,068           | 10,550         | 25,474           | 26,724           |
| <b>Reportable segment revenue</b>                         | <u>643,482</u>    | <u>775,939</u>  | <u>89,442</u>           | <u>90,294</u>  | <u>36,111</u>                 | <u>37,614</u> | <u>16,949</u>   | <u>17,117</u>  | <u>785,984</u>   | <u>920,964</u>   |
| <b>Reportable segment (loss)/profit (adjusted EBITDA)</b> | <u>(119,578)</u>  | <u>(92,798)</u> | <u>43,925</u>           | <u>33,406</u>  | <u>8,592</u>                  | <u>8,333</u>  | <u>2,924</u>    | <u>11,442</u>  | <u>(64,137)</u>  | <u>(39,617)</u>  |
| <b>Reportable segment assets</b>                          | <u>744,214</u>    | <u>768,781</u>  | <u>477,935</u>          | <u>692,809</u> | <u>24,930</u>                 | <u>25,621</u> | <u>181,087</u>  | <u>252,191</u> | <u>1,428,166</u> | <u>1,739,402</u> |
| <b>Reportable segment liabilities</b>                     | <u>420,903</u>    | <u>356,648</u>  | <u>20,142</u>           | <u>237,815</u> | <u>3,742</u>                  | <u>8,024</u>  | <u>3,022</u>    | <u>2,879</u>   | <u>447,809</u>   | <u>605,366</u>   |

The measure used for reporting segment (loss)/profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation and impairment loss on non-current assets", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA, the Group's losses are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

(b) *Reconciliation of reportable profit or loss*

|  | 2017            | 2016            |
|--|-----------------|-----------------|
|  | \$'000          | \$'000          |
| Reportable segment loss                                | (64,137)        | (39,617)        |
| Elimination of inter-segment profits                   | (4,063)         | (5,964)         |
| Reportable segment loss derived                        |                 |                 |
| from the Group's external customers                    | (68,200)        | (45,581)        |
| Other loss   | (411)           | (173)           |
| Depreciation and amortisation                          | (22,483)        | (36,839)        |
| Impairment loss on other property, plant and equipment | (4,482)         | (17,809)        |
| Impairment loss on lease premium                       | (340)           | -               |
| Net valuation gains on investment properties           | 7,400           | 5,185           |
| Net gain on disposal of subsidiaries                   | -               | 29,845          |
| Expenses for proposed separate listing of a subsidiary | -               | (9,200)         |
| Finance costs  | (515)           | (459)           |
| Unallocated head office and corporate expenses         | (8,609)         | (12,569)        |
| Consolidated loss before taxation                      | <u>(97,640)</u> | <u>(87,600)</u> |

5. **Loss before taxation**

Loss before taxation is arrived at after charging/(crediting) :

|   | 2017        | 2016        |
|---|-------------|-------------|
|   | \$'000      | \$'000      |
| (a) <i>Finance costs</i>                                    |             |             |
| Interest on bank loans and overdrafts                       | <u>515</u>  | <u>459</u>  |
| (b) <i>Other items</i>                                      |             |             |
| Depreciation of other property, plant and equipment         | 22,483      | 36,695      |
| Amortisation of interests in leasehold land held            |             |             |
| for own use under operating lease                           | -           | 144         |
| Impairment loss on lease premium                            | 340         | -           |
| Impairment loss on other property, plant and equipment      | 4,482       | 17,809      |
| Impairment loss on trade debtors                            | 4,870       | 2,919       |
| Reversal of impairment loss on trade debtors                | (1,974)     | (3,885)     |
| Provision for onerous operating lease contracts             | -           | 5,679       |
| Cost of inventories   | 327,298     | 369,636     |
| Net unrealised gain on trading securities                   | (49)        | (921)       |
| Net realised loss on trading securities                     | 141         | -           |
| Net loss on disposal of other property, plant and equipment | 739         | 1,531       |
| Interest income on financial assets                         |             |             |
| not at fair value through profit or loss                    | (155)       | (426)       |
| Dividend income from listed securities                      | <u>(10)</u> | <u>(11)</u> |

(c) *Net gain on disposal of subsidiaries*

As disclosed in the Major Transaction Circular issued by the Company on 21 August 2015, the Company and Luk Hop Garments Limited (“Luk Hop”), a wholly owned subsidiary of the Company, entered into a sales and purchase agreement on 6 July 2015 with an independent third party (“the Purchaser”) relating to the sales of the entire issued share of YGM Clothing Limited (“YGM Clothing”) within sales of garments segment at a cash consideration of RMB45,200,000 (equivalent to approximately \$54,792,000). Each of the Company and Luk Hop held 50% of the issued shares of YGM Clothing. YGM Clothing was the sole shareholder of YGM Clothing (Dongguan) Limited which in turn was the

legal owner of the leasehold land located at Chukeng Management District, Dongkeng Town, Dongguan City (東莞市東坑鎮初坑管理區) together with the factory and employee apartments and dormitories built thereon. The disposal was completed on 28 January 2016. A net gain on disposal of \$29,845,000 was recognised during the year ended 31 March 2016.

(d) *Expenses for proposed separate listing of a subsidiary*

On 13 April 2015, the Company submitted to The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) to apply for the listing of the shares of HKSP Holdings Limited (“HKSPH”) on The Growth Enterprise Market of the Stock Exchange (“Proposed Spin-off”) by ways of placing of the shares of HKSPH with professional and institutional investors and distribution in specie whereby a portion of the entire issued share capital of HKSPH will be allocated to shareholders of the Company in proportion to their respective shareholding in the Company. On 9 September 2015, HKSPH was notified by the Listing Division of the Stock Exchange that the listing application was rejected. The Company and HKSPH had considered advice from the professional parties and decided to postpone the Proposed Spin-off. Legal and professional expenses in respect of the Proposed Spin-off amounting to \$9,200,000 were recognised during the year ended 31 March 2016.

## 6. Income tax

|                                     | <b>2017</b>         | 2016                |
|-------------------------------------|---------------------|---------------------|
|                                     | <b>\$'000</b>       | \$'000              |
| Current tax - Hong Kong Profits Tax | <b>1,828</b>        | 2,055               |
| Current tax - Outside Hong Kong     | <b>1,296</b>        | (334)               |
| Deferred tax                        | <b>(902)</b>        | 1,668               |
|                                     | <b><u>2,222</u></b> | <b><u>3,389</u></b> |

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries based outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

## 7. Dividends

(a) *Dividends payable to equity shareholders attributable to the year:*

|  | <b>2017</b>          | 2016         |
|--|----------------------|--------------|
|  | <b>\$'000</b>        | \$'000       |
| Final dividend proposed after the end of the reporting period of 10 cents (2016: 5 cents) per ordinary share | <b><u>16,586</u></b> | <u>8,293</u> |

The final dividend proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(b) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the year:*

|   | <b>2017</b>         | 2016          |
|---|---------------------|---------------|
|   | <b>\$'000</b>       | \$'000        |
| Final dividend in respect of the previous financial year, approved and paid during the year, of 5 cents (2016: 30 cents) per ordinary share | <b><u>8,293</u></b> | <u>49,758</u> |

## 8. Loss per share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of \$97,335,000 (2016: \$87,871,000) and 165,864,000 shares (2016: 165,864,000 shares) in issue during the year.

### (b) Diluted loss per share

There is no dilutive potential ordinary share during the years ended 31 March 2017 and 2016. Accordingly, the diluted loss per share is the same as basic loss per share.

## 9. Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

|  | 2017<br>\$'000       | 2016<br>\$'000        |
|--|----------------------|-----------------------|
| Within 1 month                                     | 22,849               | 52,061                |
| Over 1 month but within 2 months                   | 2,751                | 12,498                |
| Over 2 months but within 3 months                  | 2,110                | 4,409                 |
| Over 3 months                                      | 1,455                | 5,082                 |
| Trade debtors, net of allowance for doubtful debts | <u>29,165</u>        | <u>74,050</u>         |
| Deposits, prepayments and other receivables        | 10,942               | 41,414                |
| Amounts due from related companies                 | 9                    | 10                    |
| Club memberships                                   | 750                  | 750                   |
|  | <u><u>40,866</u></u> | <u><u>116,224</u></u> |

Individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade debtors are due within 30 days to 90 days from the date of billing.

## 10. Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

|                                    | 2017<br>\$'000        | 2016<br>\$'000        |
|------------------------------------|-----------------------|-----------------------|
| Within 1 month                     | 15,716                | 36,974                |
| Over 1 month but within 3 months   | 2,615                 | 7,623                 |
| Over 3 months but within 6 months  | 1,435                 | 4,032                 |
| Over 6 months                      | 1,100                 | 1,331                 |
| Trade creditors and bills payable  | <u>20,866</u>         | <u>49,960</u>         |
| Other payables and accrued charges | 87,138                | 75,041                |
| Amounts due to related companies   | 4,581                 | 4,086                 |
|                                    | <u><u>112,585</u></u> | <u><u>129,087</u></u> |

## 11. Disposal group held for sale

On 28 February 2017, the Group entered into a disposal agreement (the "Disposal Agreement") with a third party, Jining Ruyi Investment Co. Ltd. (the "Purchaser"), pursuant to which the Group has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Aquascutum

Holdings Limited (“Aquascutum Holdings”), a wholly-owned subsidiary of the Group, at a cash consideration of US\$117,000,000 (approximately \$906,800,000) (the “Proposed Disposal”). Aquascutum Holdings and its subsidiaries (the “Disposal Group”) are engaged in the manufacturing and sales of products under the “Aquascutum” brand and the intellectual property rights associated with the brand within the sales of garments and the licensing of trademarks segments.

Completion of the Disposal Agreement shall be subject to the fulfillment of the following conditions: (i) the Company having obtained the approval from the shareholders of the Company at the extraordinary general meeting for the Disposal Agreement and the transactions contemplated thereunder; and (ii) the obtaining of the filings with or by authorities of the People’s Republic of China (“PRC”) with respect to the Proposed Disposal to be obtained by the Purchaser, including the filings with the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC with respect to the consummation of the Proposed Disposal, and foreign exchange filings by authorised banks and supervised by the State Administration of Foreign Exchange of the PRC in connection with the Proposed Disposal.

Accordingly, the management assessed that the criteria for the classification of the disposal group held for sale were fulfilled prior to 31 March 2017 based on the facts and circumstances specific to the disposal. All the assets and liabilities of the Disposal Group are presented as assets of a disposal group classified as held for sale and liabilities of a disposal group classified as held for sale in aggregate in the consolidated statement of financial position as at 31 March 2017. The transaction is expected to be completed before 30 June 2017. As at 31 March 2017, a non-refundable deposit of US\$5,000,000 (approximately \$38,800,000) has been received. On 19 April 2017, the ordinary resolution to approve the Disposal Agreement was duly passed by shareholders of the Company.

The assets and liabilities of the disposal group classified as held for sale are presented separately in the consolidated statement of financial position as at 31 March 2017 and the major classes of assets and liabilities of the Disposal Group as at 31 March 2017 are as follows:

|  | 2017<br>\$'000 |
|--|----------------|
| <b>Assets of a disposal group classified as held for sale</b>        |                |
| Other property, plant and equipment                                  | 25,319         |
| Intangible assets  | 345,832        |
| Rental deposits and prepayments                                      | 17,880         |
| Deferred tax assets  | 20,579         |
| Inventories  | 126,684        |
| Trade and other receivables  | 45,998         |
| Current tax recoverable  | 117            |
| Cash and cash equivalents  | 23,106         |
|  | 605,515        |
| <b>Liabilities of a disposal group classified as held for sale</b>   |                |
| Trade and other payables   | 39,837         |
| Current tax payable  | 1,341          |
| Deferred tax liabilities   | 1,943          |
|  | 43,121         |
| Net assets directly associated with the disposal group held for sale | 562,394        |

Note: As at 31 March 2017, there was a cumulative foreign currency translation loss of \$22,034,000 recognised in other comprehensive income relating to the Disposal Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RECENT DEVELOPMENTS

Following the United Kingdom electorate voted to leave the European Union on 23 June 2016, political and economic shock waves have already ripped out the United Kingdom and across the globe from the landmark decision. Devaluation of Pound Sterling adversely affected the value of the Group's assets in Pound Sterling when translating into Hong Kong Dollar.

On 19 August 2016, a wholly-owned subsidiary of the Company entered into the preliminary sale and purchase agreement with an independent third party for the sale of the whole of Ground Floor, Lead On Industrial Building, No. 18 Ng Fong Street, San Po Kong, Kowloon, Hong Kong at a consideration of HK\$66,800,000. The disposal was completed on 30 December 2016.

As disclosed in the Very Substantial Disposal Circular issued by the Company on 28 March 2017, the Company entered into a conditional disposal agreement on 28 February 2017 ("the Disposal Agreement") with an independent third party ("the Purchaser") relating to the disposal of the entire issued share capital of Aquascutum Holdings Limited ("Aquascutum Holdings") at a cash consideration of USD117,000,000 (equivalent to approximately HK\$906,800,000). Aquascutum Holdings, a wholly-owned subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability and acts as investment holding company of certain subsidiaries which in turn are currently engaged in all business operations in relation to the manufacturing and sales of products under the "Aquascutum" brand and the intellectual property rights associated with the brand. A non-refundable deposit of USD5,000,000 (equivalent to approximately HK\$38,800,000) has been received from the Purchaser upon signing of the memorandum of understanding dated 17 October 2016. The remaining balance of the cash consideration of USD112,000,000 (equivalent to approximately HK\$868,000,000) will be paid by the Purchaser to the Company on completion of the disposal in accordance with the terms and conditions of the Disposal Agreement.

### RESULTS OF THE GROUP'S OPERATIONS

The Group recorded a loss for the year ended 31 March 2017 which was mainly attributable to the significant decrease in sales in the wholesale and retail of branded garments, leather goods and accessories, the Group's principal business, caused by a decline in the retail markets in which the Group operates, particularly in Hong Kong and Mainland China.

#### *Group's Operations*

The Group's revenue decreased by 15.0% to HK\$760,510,000 (2016: HK\$894,240,000). Total sales of garments, which is the Group's core business, fell by 17.1% to HK\$643,482,000 (2016: HK\$775,939,000). Total licensing of trademarks income from external customers decreased by 1.4% to HK\$73,407,000 (2016: HK\$74,417,000). Total gross profit decreased by 17.4% to HK\$433,212,000 (2016: HK\$524,604,000). Overall gross profit margin decreased to 57.0% from 58.7% for last year.

The Group recorded a loss for the year of HK\$99,862,000 which increased from HK\$90,989,000 for last year. A net gain of HK\$29,845,000 derived from disposal of the entire issued shares of a subsidiary was recorded in last year which was partly offset by the incurring of the legal and professional expenses of HK\$9,200,000 in respect of the proposed spin-off and separate listing of the Group's printing business on the Growth Enterprise Market of the Stock Exchange.

Total operating expenses decreased by 17.7% to HK\$526,171,000 (2016: HK\$638,994,000). Total rental and other occupancy expenses decreased by 17.2% to HK\$207,486,000 (2016: HK\$250,630,000) which accounted for 27.3% (2016: 28.0%) of the Group's revenue. Total staff costs, including directors' emoluments, decreased by 5.5% to HK\$198,576,000 (2016: HK\$210,149,000) and accounted for 26.1% (2016: 23.5%) of the Group's revenue. Total advertising and promotion expenses decreased by 17.4% to HK\$25,443,000 (2016: HK\$30,819,000) which accounted for 3.3% (2016: 3.4%) of the Group's revenue.

#### *Cash Flow from Operations*

For the year ended 31 March 2017, the Group generated HK\$12,494,000 cash from operations as against HK\$49,706,000 cash was used in operations for the previous year. Inventories as at 31 March 2017 decreased to

HK\$202,578,000 (including inventories held by the Disposal Group of HK\$126,684,000) (31 March 2016: HK\$262,757,000); a decrease of HK\$60,179,000 from the previous year end.

As at 31 March 2017, the Group had cash and bank deposits net of bank loans and overdrafts of HK\$166,983,000 (including cash and bank deposits held by the Disposal Group of HK\$23,106,000) (31 March 2016: HK\$75,379,000), representing an increase of HK\$91,604,000 after a final dividend payment of HK\$8,293,000 in respect of the year ended 31 March 2016, the cash receipt of HK\$66,800,000 from disposal of the whole of Ground Floor, Lead On Industrial Building, No. 18 Ng Fong Street, San Po Kong, Kowloon, Hong Kong and the receipt of non-refundable deposit of USD5,000,000 (equivalent to approximately HK\$38,800,000) upon signing of the memorandum of understanding relating to the disposal of the entire issued share capital of Aquascutum Holdings. At 31 March 2017, the Group had trading securities with a fair value of HK\$195,000 (31 March 2016: HK\$2,546,000).

During the year, the Group spent approximately HK\$20,797,000 in additions and replacement of other property, plant and equipment, compared to HK\$35,584,000 for the previous year.

## **GROUP'S FINANCIAL POSITION**

The Group financed its operations by internally generated cashflows and banking facilities provided by its bankers. The Group continues to maintain a prudent approach in managing its financial requirements.

The Group's net assets as at 31 March 2017 were HK\$1,160,863,000 (31 March 2016: HK\$1,287,781,000). The Group's gearing ratio at the end of the reporting year was 0.006 (31 March 2016: 0.021) which was calculated based on total borrowings of HK\$6,627,000 (31 March 2016: HK\$27,025,000) and shareholders' equity of HK\$1,133,004,000 (31 March 2016: HK\$1,260,706,000). The Group's borrowings are mainly on a floating rate basis.

The Group also maintains a conservative approach to foreign exchange exposure management. The Group is exposed to currency risk primarily through income and expenditure streams denominated in United States Dollars, Pound Sterling, Euros, Renminbi Yuan and Japanese Yen. To manage currency risks, non Hong Kong Dollar assets are financed primarily by matching local currency debts as far as possible.

## **OPERATIONS REVIEW**

### **Sales of Garments**

Total revenue of the sales of garment segment declined by 17.1% to HK\$643,482,000 (2016: HK\$775,939,000). The segment recorded a loss of HK\$119,578,000 (2016: HK\$92,798,000). Inventory turnover improved slightly from 257.6 days for the previous year to 245.8 days.

Wholesaling and retailing of branded garments, leather goods and accessories, the Group's principal business, accounted for 96.5% of the revenue of the segment. The Group's principal operating markets were adversely impacted by economic and exchange rate factors during the year under review. The Hong Kong retail market remained weak as a result of continued decline in spending by Mainland Chinese visitors and local customers. The Taiwan retail market recorded a decrease of 8.7% as a result of a drop in Mainland Chinese visitors. Slow economic growth continued to cause considerable impact on consumer spending in the Mainland China retail market.

Aquascutum apparel wholesale and retail business in the United Kingdom recorded a 13.1% decrease in total sales to GBP10,625,000 from GBP12,222,000 for the previous year.

Rental represents a considerably significant portion of the total retail operating costs and has continued to place downward pressure on the segment's profitability during the year. The Group will remain prudent with regard to store network expansion.

**Number of POSs by geographical locations as at 31 March**

|                  | <b>Mainland</b> |             | <b>Hong Kong</b> |             | <b>Macau</b> |             | <b>Taiwan</b> |             | <b>Europe</b> |             | <b>Total</b> |             |
|------------------|-----------------|-------------|------------------|-------------|--------------|-------------|---------------|-------------|---------------|-------------|--------------|-------------|
|                  | <b>China</b>    |             |                  |             |              |             |               |             |               |             |              |             |
|                  | <b>2017</b>     | <b>2016</b> | <b>2017</b>      | <b>2016</b> | <b>2017</b>  | <b>2016</b> | <b>2017</b>   | <b>2016</b> | <b>2017</b>   | <b>2016</b> | <b>2017</b>  | <b>2016</b> |
| Aquascutum       | <b>87</b>       | 110         | <b>8</b>         | 10          | <b>4</b>     | 4           | <b>26</b>     | 26          | <b>7</b>      | 12          | <b>132</b>   | 162         |
| Ashworth         | <b>32</b>       | 40          | <b>12</b>        | 11          | <b>5</b>     | 6           | <b>5</b>      | 7           | -             | -           | <b>54</b>    | 64          |
| J.Lindeberg      | -               | -           | <b>8</b>         | 7           | <b>3</b>     | 3           | -             | -           | -             | -           | <b>11</b>    | 10          |
| Harmont & Blaine | -               | -           | <b>2</b>         | -           | <b>1</b>     | -           | -             | -           | -             | -           | <b>3</b>     | -           |
| Guy Laorche      | -               | -           | -                | -           | -            | -           | -             | -           | <b>1</b>      | 1           | <b>1</b>     | 1           |
| Michel Rene      | <b>1</b>        | 1           | -                | -           | -            | -           | -             | -           | -             | -           | <b>1</b>     | 1           |
| <b>Total</b>     | <b>120</b>      | 151         | <b>30</b>        | 28          | <b>13</b>    | 13          | <b>31</b>     | 33          | <b>8</b>      | 13          | <b>202</b>   | 238         |

The Group launched Harmont & Blaine during the year under review and three POSs had been opened in Hong Kong and Macau in March 2017. As at the end of March 2017, the Group has a distribution network of 202 POSs in our operating market which reduced by 36 POSs from last year end.

The manufacturing plant at Dongguan, which accounted for 3.5% of total sales of the segment, recorded a decrease in sales and a loss from operation during the year.

### **Licensing of Trademark**

The Group owns the global intellectual property rights of Guy Laroche and Aquascutum. Total income of licensing of trademarks from external customers decreased by 1.4% to HK\$73,407,000 (2016: HK\$74,417,000).

### **Other Business**

Total revenue of printing and related services dropped slightly from last year but segment profit increased from last year.

Property rental income increased from HK\$6,567,000 for the previous year to HK\$7,881,000. Income from leasing of industrial buildings in Hong Kong and a property in London is steady.

### **HUMAN RESOURCES**

As at 31 March 2017, the Group had approximately 1,500 employees (31 March 2016: 1,300). The Group offers competitive remuneration packages including medical subsidies and retirement scheme contributions to its employees in compensation for their contribution. In addition, discretionary bonuses may also be granted to the eligible employees based on the Group's and individuals' performances.

### **OUTLOOK**

The retail climate in the Group's principal operating markets, in particular, Hong Kong, Taiwan and Mainland China remains weak. We do not expect a strong recovery in the foreseeable future. Hence, we will continue to control costs and expenses at all levels of operation and adopt a cautious approach to our further expansion and development strategies. A new brand, Tommy Bahama, will be launched in the third quarter of the year.

### **DIVIDENDS**

The Board had recommend the payment of a final dividend of 10 HK cents (2016: 5 HK cents) per ordinary share for the year ended 31 March 2017 at the forthcoming annual general meeting to be held on 20 September 2017. The final dividend totaling HK\$16,586,000 (2016: HK\$8,293,000), if approved by the shareholders, is expected to be paid on or around 12 October 2017 to those shareholders whose names appear on the register of members of the Company as at the close of business on 29 September 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of ascertaining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 14 September 2017 to 20 September 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 13 September 2017.

The register of members of the Company will also be closed from 27 September 2017 to 29 September 2017, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the entitlement of the shareholders to the proposed final dividend. In order to qualify for the final dividend payable on or around 12 October 2017 to be approved at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 26 September 2017.

## **CORPORATE GOVERNANCE**

The Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2017.

Under Code Provision A.4.1, non-executive directors (including independent non-executive directors) should be appointed for a specific term, subject to re-election. However, the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a Securities Dealing Code regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules.

All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and its Securities Dealing Code throughout the period under review.

## **AUDIT COMMITTEE**

To comply with the revised Code of Best Practice as set out in Appendix 14 to the Listing Rules, the Company set up an audit committee (the "Audit Committee") with written terms of reference, for the purposes of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Audit Committee comprises four Independent Non-executive Directors.

The Audit Committee is mainly responsible for monitoring the integrity of the Company's financial statements, reviewing the Company's internal control system and its execution through the review of the work undertaken by the external auditors, evaluating financial information and related disclosure; and reviewing connected transactions.

The Audit Committee has reviewed with management the consolidated financial statements for the year ended 31 March 2017, including the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Company has not redeemed any of its shares during the year ended 31 March 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The results announcement is published on the website of Hong Kong Exchange and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.ygmtrading.com](http://www.ygmtrading.com) under “Results Announcement”. The annual report for the year ended 31 March 2017 will be dispatched to the shareholders and published on the above websites in due course.

By Order of the Board  
**Chan Wing Sun, Samuel**  
Chairman

Hong Kong, 27 June 2017

*As at the date of this announcement the Board comprises seven Executive Directors, namely Mr. Chan Wing Sun, Samuel, Madam Chan Suk Ling, Shirley, Mr. Fu Sing Yam, William, Mr. Andrew Chan, Mr. Chan Wing Fui, Peter, Mr. Chan Wing Kee and Mr. Chan Wing To; and four Independent Non-executive Directors, namely Mr. Leung Hok Lim, Mr. Lin Keping, Mr. Sze Cho Cheung, Michael and Mr. Choi Ting Ki.*